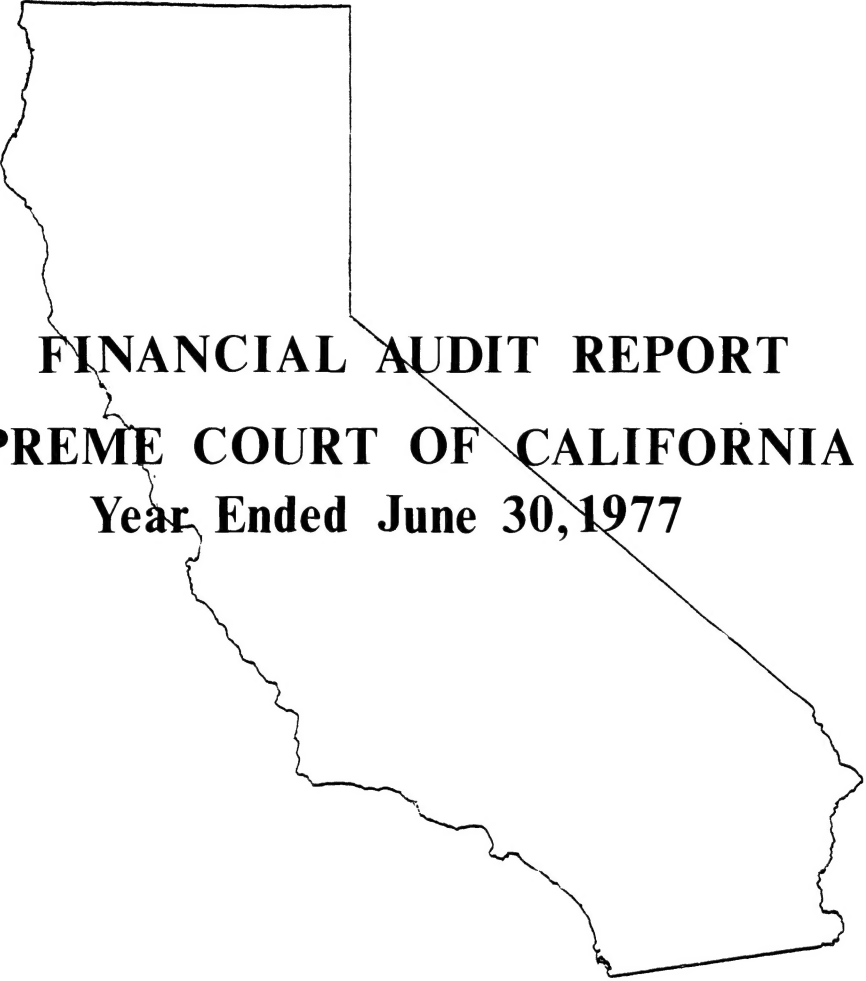




Joint Legislative Audit Committee
Office of the Auditor General



REPORT TO THE CALIFORNIA LEGISLATURE

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FINANCIAL AUDIT REPORT SUPREME COURT OF CALIFORNIA Year Ended June 30, 1977

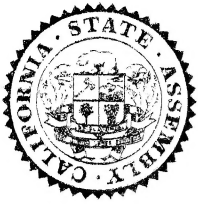
Office of the Auditor General
1955 - 1977

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

702

FINANCIAL AUDIT REPORT
SUPREME COURT OF CALIFORNIA
YEAR ENDED JUNE 30, 1977

DECEMBER 1977



Joint Legislative Audit Committee

OFFICE OF THE AUDITOR GENERAL

California Legislature



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LOS ANGELES

December 30, 1977

702

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of
the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor
General's financial audit of the California Supreme Court.

The auditors are Curt Davis, CPA, Audit Supervisor, and Cynthia Dirks.

Cordially,

MIKE CULLEN
Chairman
Joint Legislative Audit Committee

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INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee, we have conducted a fiscal audit of the Supreme Court. This audit was conducted under authority vested in the Auditor General by Section 10527 of the Government Code.

Article VI of the Constitution of the State of California created the Supreme Court of California and the Courts of Appeal to exercise the judicial power of the State at the appellate level. The Supreme Court and the Courts of Appeal hear appeals from trial courts and have original jurisdiction in habeas corpus, mandamus, certiorari and prohibition proceedings. In addition, the Supreme Court is California's highest court, and its decisions are binding on all other courts of this State.

The Supreme Court consists of the Chief Justice of California and six associate justices. Members of the Supreme Court are appointed by the Governor and confirmed by the Commission on Judicial Appointments. After confirmation a judge serves until the next gubernatorial election. The judge then runs unopposed for election on a nonpartisan ballot for a twelve-year term. The regular sessions of the court are held in San Francisco, Los Angeles and Sacramento.

AUDITOR'S OPINION

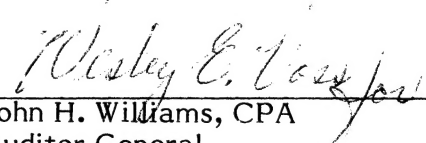
The Joint Legislative Audit Committee
of the California Legislature

We have examined the statement of financial condition of the Supreme Court of California as of June 30, 1977, and the related statements of general fixed assets, changes in operating clearing, budgeted and actual expenditures, and revenues for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Because of the inadequacies of supporting records, we were unable to obtain sufficient evidence to form an opinion regarding the statement of general fixed assets amounting to \$143,239 at June 30, 1977. Accordingly, we do not express an opinion on that statement.

In our opinion, the financial statements described above, except for the statement of general fixed assets, present fairly the financial condition of the Supreme Court of California as of June 30, 1977, and the results of operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The accompanying statement of financial condition of the Supreme Court of California as of June 30, 1976, and the related statements of general fixed assets, budgeted and actual expenditures and revenues for the year then ended, which are presented for comparative purposes only, were not audited by us and accordingly we do not express an opinion on them.


John H. Williams, CPA
Auditor General

November 9, 1977

Staff: Curt Davis, CPA
Cynthia Dirks

SUPREME COURT
GENERAL FUND
STATEMENT OF FINANCIAL CONDITION
JUNE 30, 1977

(With Unaudited Amounts for Year Ended June 30, 1976)

	<u>June 30,</u> <u>1977</u>	<u>June 30,</u> <u>1976</u>
<u>Assets</u>		
Cash	\$ 4,124	\$ 5,068
Accounts Receivable	16,701	971
Expense Advances to Employees	<u>1,034</u>	<u>-0-</u>
Total Assets	<u>\$21,859</u>	<u>\$ 6,039</u>
 <u>Liabilities and Operating Clearing</u>		
Liabilities:		
Accounts Payable	\$34,897	\$69,292
Claims Filed	15,909	11,133
Other Liabilities	-0-	492
Operating Clearing (debit), per Exhibit B (Note 3)	<u>(28,947)</u>	<u>(74,878)</u>
Total Liabilities and Operating Clearing	<u>\$21,859</u>	<u>\$ 6,039</u>

The accompanying notes are an integral part of the financial statements.

SUPREME COURT
GENERAL FUND
STATEMENT OF CHANGES IN OPERATING CLEARING (NOTE 3)
YEAR ENDED JUNE 30, 1977

(With Unaudited Amount for Year Ended June 30, 1976)

Operating Clearing, June 30, 1976	<u>\$ (74,878)</u>
Additions:	
Revenues (Exhibit D)	\$ 46,129
Prior Year Appropriation Adjustments	23,721
Net Disbursements per State Controller	<u>2,831,271</u>
Total Additions	<u>\$2,901,121</u>
Deductions:	
Net Expenditures for Year Ended June 30, 1977 (Exhibit C)	<u>\$2,855,190</u>
Total Deductions	<u>\$2,855,190</u>
Operating Clearing, June 30, 1977 (Exhibit A)	<u>\$ (28,947)</u>

The accompanying notes are an integral part of the financial statements.

SUPREME COURT
GENERAL FUND
STATEMENT OF BUDGETED AND ACTUAL EXPENDITURES
YEAR ENDED JUNE 30, 1977

(With Unaudited Amounts for Year Ended June 30, 1976)

	<u>Budget as Adjusted</u>	<u>Expenditures Current Year</u>	<u>Unexpended Balance</u>	<u>Expenditures 1975-76</u>
Personal Services	<u>\$2,329,245</u>	<u>\$2,329,245</u>	<u>\$ -0-</u>	<u>\$2,186,956</u>
Operating Expenses and Equipment:				
General Expense	\$ 72,714	\$ 82,098	\$ (9,384)	\$ 85,163
Library	53,208	53,208	-0-	54,810
Communications	37,271	33,900	3,371	36,595
Travel	31,897	31,897	-0-	38,072
Facilities Expense	256,509	256,509	-0-	245,762
Criminal Appeal Fees	54,467	54,467	-0-	22,328
Alterations	-0-	-0-	-0-	9,169
Equipment	<u>13,866</u>	<u>13,866</u>	<u>-0-</u>	<u>28,860</u>
Total Operating Expenses and Equipment	<u>\$ 519,932</u>	<u>\$ 525,945</u>	<u>\$ (6,013)</u>	<u>\$ 520,759</u>
Total Expenditures	<u>\$2,849,177</u>	<u>\$2,855,190</u>	<u>\$ (6,013)</u>	<u>\$2,707,715</u>
			(Note 4)	

The accompanying notes are an integral part of the financial statements.

SUPREME COURT
GENERAL FUND
STATEMENT OF REVENUES
YEAR ENDED JUNE 30, 1977

(With Unaudited Amount for Year Ended June 30, 1976)

	<u>Budget</u>	<u>Current Year</u>	<u>Over (Under) Budget</u>	<u>Prior Year</u>
Miscellaneous Services to the Public	<u>\$46,000</u>	<u>\$46,129</u>	<u>\$129</u>	<u>\$43,210</u>

The accompanying notes are an integral part of the financial statements.

SUPREME COURT
GENERAL FUND
STATEMENT OF GENERAL FIXED ASSETS
JUNE 30, 1977

(With Unaudited Amounts for Year Ended June 30, 1976)

	<u>June 30, 1977</u>	<u>June 30, 1976</u>
General Fixed Assets:		
Equipment (Note 2)	<u>\$143,239</u>	<u>\$102,276</u>
Total General Fixed Assets	<u>\$143,239</u>	<u>\$102,276</u>
 Reserve for General Fixed Assets:		
Investment in Fixed Assets (Note 2)	<u>\$143,239</u>	<u>\$102,276</u>
Total Reserve for General Fixed Assets	<u>\$143,239</u>	<u>\$102,276</u>

The accompanying notes are an integral part of the financial statements.

SUPREME COURT
GENERAL FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1977

1. Summary of Significant Accounting Policies

The accounting records for the Supreme Court are maintained by the Judicial Council, Administrative Office of the Courts. The accounting policies conform to generally accepted accounting principles as applicable to governmental units and as contained in the State Administrative Manual.

The Supreme Court accounts for only its portion of the State's General Fund. Central accounts for the General Fund are maintained by the State Controller's Office.

Income: During the year income accounts are maintained on a cash basis. At June 30, accrued receivables estimated to be collected during the following fiscal year are credited to the year in which they are earned. Accrued receivables for which collection is indefinite are fully reserved until collected.

Expenditures: During the year appropriation expenditures are, in general, recorded at the time claims for payment are filed with the State Controller. An exception to this procedure occurs when transfers of money to the Architecture Revolving

Fund for capital outlay are recorded as expended at the time of transfer, even though the actual expenditures from that fund may not occur until a later date. At June 30, all valid encumbrances against appropriations are accrued as expenditures.

Liabilities: Accumulated liability for vacation is not recorded in the statements although an actual liability exists.

2. Equipment and Reserve for Investment in Fixed Assets

Although perpetual inventory records of equipment are maintained, the aggregate amount disagrees with the general ledger account for equipment by approximately \$53,000. A physical inventory will be required to reconcile the two amounts. A physical inventory has not been taken in the past ten years.

3. Operating Clearing

This account is the connecting link between the Supreme Court's portion of the General Fund and the central accounts of the General Fund maintained by the State Controller's Office. The account balance at June 30, 1977, represents a clearing account between the Supreme Court and the State Controller's Office.

4. Budget Allocations

In accordance with Chapter 320, Item 16 of the Budget Act of 1976, funds appropriated may be allocated or reallocated between the

Supreme Court of California, Courts of Appeal, Judicial Council of California and Commission on Judicial Performance. In accordance with this provision, \$40,000 was transferred to the Supreme Court from the unexpended balance of the Court of Appeal - First Appellate District subsequent to June 30, 1977.

COMMENTS

Procedural matters warranting comment that came to our attention during the course of our examination of the Supreme Court are discussed below. In accordance with the Legislative Counsel's opinion #16995, dated December 6, 1977, the courts are not required to follow procedures of the State Administrative Manual as regards disbursement of funds; however, sections of the State Administrative Manual are cited when considered acceptable accounting practices.

Physical Inventory of Equipment

Although perpetual inventory records are maintained, they do not agree with the general ledger account for equipment. In addition, physical inventories of equipment have not been taken in the past ten years.

Recommendation: We recommend that the Supreme Court conduct a current physical inventory of all equipment and maintain perpetual inventory records to be updated by periodic physical inventories at least once every three years. (State Administrative Manual, Section 8659.)

Cash Receipts and Disbursements Procedures

Payments for filing fees and sale of documents are received over-the-counter and by mail. Such collections are recorded on cash receipt documents; however, copies of the receipt documents are not

forwarded to the Administrative Office of the Courts which maintains the accounting records for the Supreme Court and appellate courts. Forwarding cash receipt documents to the Administrative Office of the Courts would strengthen internal control over cash receipts and allow a reconstruction of cash receipts records if warranted.

Recommendation: We recommend that copies of all receipts be forwarded to the Administrative Office of the Courts.

Section 8023 of the State Administrative Manual requires collections received in the form of checks, money orders or warrants to be restrictively endorsed no later than the end of the working day in which the items are received. The Supreme Court does not restrictively endorse collection items until deposits are prepared which, in some cases, may be ten days after receipt.

Recommendation: We recommend collection items be restrictively endorsed at the time of receipt.

Accumulated collections totaling \$10 or more are not deposited within five working days as specified by Section 8030.1 of the State Administrative Manual.

Recommendation: We recommend that deposits of cash receipt items be made within the time limits specified in the State Administrative Manual.

Distribution of Payroll Warrants

The duties of two personnel office employees of the Administrative Office of the Courts include processing all personnel documents and handling and distributing payroll warrants received from the State Controller's Office. Section 8580.1 of the State Administrative Manual requires that the responsibility of distributing payroll warrants be segregated from the processing of other payroll and personnel functions.

Recommendation: We recommend that the responsibility of handling and distributing payroll warrants be segregated from the processing of other payroll and personnel functions.

Office of the Auditor General

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State Controller
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